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Due to the lack of U.S. government orders for the C-17 military cargo aircraft, The Boeing Company (NYSE: BA) is directing program suppliers to stop work on uncommitted airplanes. This move will be the first step in an orderly shut down of the production supply chain should no further orders be received from the U.S. government.

For over a year, Boeing spent its own money protecting the C-17 supplier base. This investment was intended to keep the production line viable while the U.S. Government and Boeing pursued international orders, and to allow time for the U.S. Government to update its post-9/11 mobility requirements, if they chose to do so. During that time Boeing received international orders and commitments for more than a dozen of the advanced air lifters. Congress has added funding for up to three more as part of its recent 2007 budget deliberations. However, when the orders are totaled, there are not enough to sustain continued production beyond mid-2009.

Since late 2005, Boeing has stressed the need for a commitment from the U.S. Government for continued C-17 procurement or the company would be forced to make the difficult decision to begin winding down the production line.

This action will ultimately affect the 5,500 Boeing jobs in California, Missouri, Georgia, and Arizona, directly tied to the C-17, and the program's nationwide supplier workforce that totals more than 25,000 people. Nearly 700 companies in 42 states provide parts and services that go into each C-17.

"The C-17 is one of the Defense Department's most successful acquisition programs ever," said Ron Marcotte, vice president and general manager of Boeing Global Mobility Systems. "No one questions its operational value. But we can't continue carrying the program without additional orders from the U.S. Government."

The stop-work orders affect long-lead items from suppliers that, in many cases, are built 34 months before a C-17 is delivered. Boeing is re-evaluating the financial impact should the U.S. government not order additional C-17s, and may incur costs aside from any recovered from the U.S. government.

A unit of The Boeing Company, Boeing Integrated Defense Systems is one of the world's largest space and defense businesses. Headquartered in St. Louis, Boeing Integrated Defense Systems is a \$30.8 billion business. It provides network-centric system solutions to its global military, government and commercial customers. It is a leading provider of intelligence, surveillance and reconnaissance systems; the world's largest military aircraft manufacturer; the world's largest satellite manufacturer; a foremost developer of advanced concepts and technologies; a leading provider of space-based communications; the primary systems integrator for U.S. missile defense; NASA's largest contractor; and a global leader in sustainment solutions and launch services.

Forward-Looking Information Is Subject to Risk and Uncertainty

Certain statements in this report may constitute "forward-looking" statements within the meaning of the Private Litigation Reform Act of 1995. Words such as "expects," "intends," "plans," "projects," "believes," "estimates," and similar expressions are used to identify these forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Forward-looking statements in this press release include, among others, statements regarding the financial impact to the company should the government decide to cease production of the C-17. Forward-looking statements are based upon assumptions as to future events that may not prove to be accurate. Actual

outcomes and results may differ materially from what is expressed or forecasted in these forward-looking statements. As a result, these statements speak only as of the date they were made and the company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The company's actual results and future trends may differ materially depending on a variety of factors, including the continued operation, viability and growth of major airline customers and non-airline customers (such as the U.S. Government); adverse developments in the value of collateral securing customer and other financings; the occurrence of any significant collective bargaining labor dispute; its successful execution of internal performance plans including its company-wide growth and productivity initiatives, production rate increases and decreases (including any reduction in or termination of an aircraft product), availability of raw materials, acquisition and divestiture plans, and other cost-reduction and productivity efforts; charges from any future SFAS No. 142 review; ability to meet development, production and certification schedules for the 787 program; technical or quality issues in development programs or in the commercial satellite industry; an adverse development in rating agency credit ratings or assessments; the actual outcomes of certain pending sales campaigns and the launch of the 787 program and U.S. and foreign government procurement activities, including the uncertainty associated with the procurement of tankers by the U.S. Department of Defense (DoD) and funding of the C-17 program; the cyclical nature of some of its businesses; unanticipated financial market changes which may impact pension plan assumptions; domestic and international competition in the defense, space and commercial areas; continued integration of acquired businesses; performance issues with key suppliers, subcontractors and customers; significant disruption to air travel worldwide (including future terrorist attacks); global trade policies; worldwide political stability; domestic and international economic conditions; price escalation; the outcome of political and legal processes, changing priorities or reductions in the U.S. Government or foreign government defense and space budgets; termination of government or commercial contracts due to unilateral government or customer action or failure to perform; legal, financial and governmental risks related to international transactions; legal and investigatory proceedings; tax settlements with the IRS and various states; U.S. Air Force review of previously awarded contracts; and other economic, political and technological risks and uncertainties. Additional information regarding these factors is contained in the company's SEC filings, including, without limitation, its Annual Report on Form 10-K for the year ended December 31, 2005 and its Quarterly Reports on Form 10-Q for the quarter ended March 31, 2006 and for the quarter ended June 30, 2006.

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